

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 5, 2015

Encana Oil and Gas (USA) Inc.
Attn: Mr. Michael Feldewert

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-7301
Administrative Application Reference No. pJAG1515430418

Encana Oil and Gas (USA) Inc.
OGRID 282327
Gallo Canyon Unit P 26-2306 Well No. 01H
API No. 30-043-21207

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	249` FSL & 969` FEL	P	26	23N	6W	Sandoval
Penetration Point	634` FNL & 1373` FEL	B	35	23N	6W	Sandoval
Final Penetration	320` FSL & 2538` FEL	O	36	23N	6W	Sandoval
Terminus	300` FSL & 2518` FEL	O	36	23N	6W	Sandoval

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
Section 22-26, and Section 34-36	5120	Counselors Gallup-Dakota	13379

Reference is made to your application received on June 2, 2015.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by The Unit Agreement for the Gallo Unit, Division Order R-13817-A, which provides for 330 foot setbacks. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable Division Order.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location because of problems associated with drilling and completion of this well.

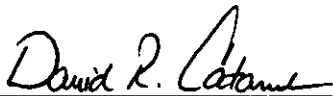
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches. It is our understanding that the affected parties have waived objection to this application.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Done at Santa Fe, New Mexico, on June 5, 2015.



DAVID R. CATANACH
Director

DC/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management - Farmington

DATE IN 6/2/15	SUSPENSE	ENGINEER MAM	LOGGED IN 6/3/15	TYPE NSL	APP NO. JAG1515430418
----------------	----------	--------------	------------------	----------	-----------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☒ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

MICHAEL H. FELDEWERT

Print or Type Name

Signature

ATTORNEY

Title

mfeldewert@hollandhart.com

Date

e-mail Address

RECEIVED OCD
2015 JUN -2 P 4:39

NSL
Operator: Encana Oil & Gas Inc
Well: GALLO CANYON Unit
P26 2306

API: 30-043-21207
Pool: Counselors
Gallup-Dakota

6/2/15

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - oil and gas law - New
Mexico Board of Legal Specialization
mfeldewert@hollandhart.com

June 2, 2015

VIA HAND DELIVERY

David Catanach, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OCD
2015 JUN - 2 P 4: 39

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an unorthodox well location for its Gallo Canyon Unit P26-2306 well in the S/2 of Section 36, Township 23 North, Range 6 West, N.M.P.M., Sandoval County, New Mexico.

Dear Mr. Catanach:

As reflected on **Exhibit A** (Form C-102, as drilled plat), Encana Oil & Gas (USA) Inc. (OGRID No. 282327) has drilled its **Gallo Canyon Unit P26-2306 1H** well (API 30-043-21207) from a surface location within the Gallo Canyon Unit to a bottom hole location within the Unit at a point 300 feet from the South line and 2518 feet from the East line (Unit O) of Section 36, Township 23 North, Range 6 West, Sandoval County, New Mexico. The first perforation for this well is 320 feet from the outer-boundary of the Gallo Canyon Unit. This well was intended to bottom-hole at a distance 330 feet from the South line of Section 36 but was mistakenly drilled and perforated too close to the outer-boundary of the Gallo Unit because the initially filed plat did not contain the correct latitude and longitude coordinates.

Development of the Gallo Unit is governed by Division Order R-13718-A, which provides that the completed interval of a well drilled within the unitized area may not be located any closer than 330-feet to the outer boundary of the Unit. Since the first perforation for this well is closer than 330-feet to the outer boundary of the Unit, this well encroaches on the spacing unit to the south in the N/2 N/2 of Section 1, Township 22 North, Range 6 West. The Division has placed this offsetting acreage into the Lybrook Gallup Pool (Code 42289) which is governed by the general statewide rules providing for 40-acre spacing units and 330 foot setback requirements. Encana seeks administrative approval of an unorthodox location for the Gallo Canyon Unit P26-2306 01H well to address the mistake incurred in the drilling and completion of this well.

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☏



Enclosed as **Exhibit B** is a land map depicting the subject well in relation to the affected spacing unit and well in the federal lease to the south in the N/2 N/2 of Section 1. Encana and Dugan Production Company are the only operators and lessees in the affected acreage. Attached as **Exhibit C** is a letter dated June 2, 2015, under which Dugan advises it has no objection to this application and waives the 20-day notice period. Since federal leases are involved, a courtesy copy of this application has been provided to the Bureau of Land Management.

Your attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael H. Feldewert".

Michael H. Feldewert

ATTORNEY FOR ENCANA OIL & GAS (USA).

cc: Bureau of Land Management
Farmington Field Office
6251 College Blvd. Suite A
Farmington, NM 87402

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240
Phone: (505) 393-8181 Fax: (505) 393-8720

DISTRICT II
811 S. First St., Artesia, N.M. 88210
Phone: (505) 748-1283 Fax: (505) 748-9720

DISTRICT III
1000 Rio Bravo Rd., Aztec, N.M. 87410
Phone: (505) 334-6176 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 478-3480 Fax: (505) 478-3482

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit one copy to appropriate
District Office

☐ AMENDED REPORT

☒ AS DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-043-21207		*Pool Code 13379	*Pool Name COUNSELORS GALLUP-DAKOTA
*Property Code 313261	*Property Name GALLO CANYON UNIT P26-2306		*Well Number 01H
*GRID No. 282327	*Operator Name ENCANA OIL & GAS (USA) INC.		*Elevation 6867.3'

¹⁰ Surface Location

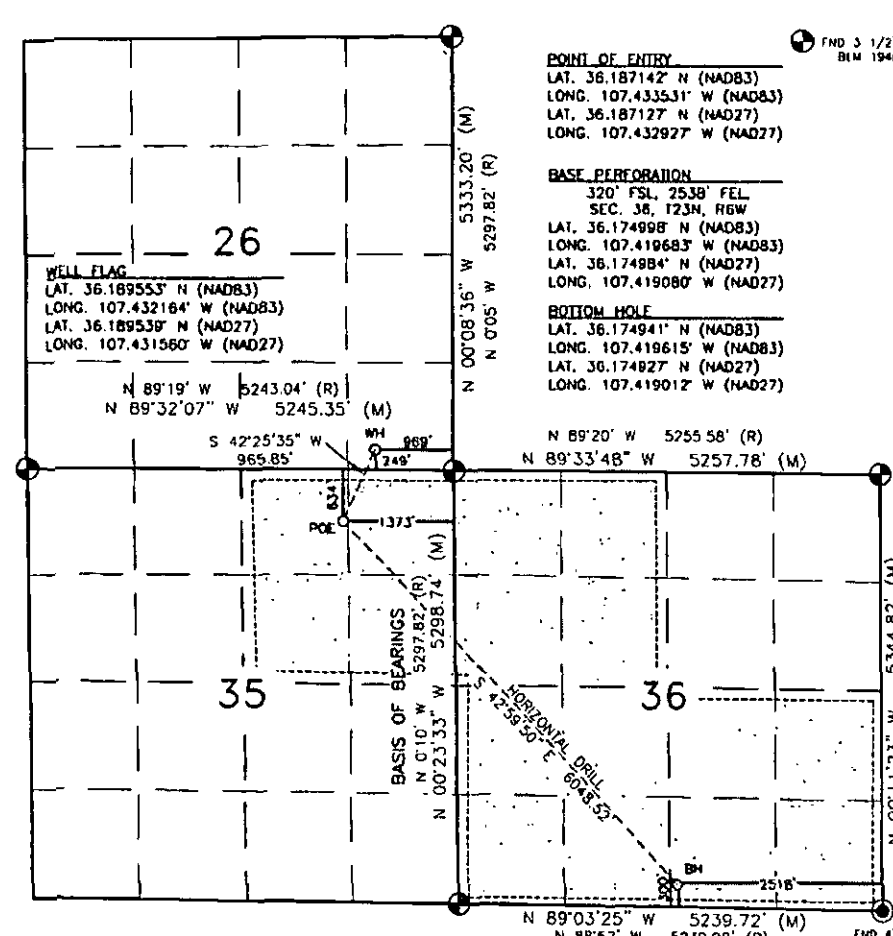
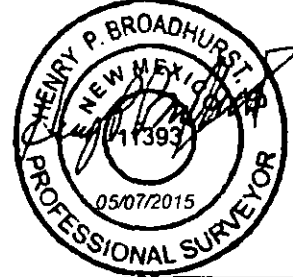
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	26	23N	6W		249'	SOUTH	969'	EAST	SANDOVAL

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	36	23N	6W		300'	SOUTH	2518'	EAST	SANDOVAL

*Dedicated Acres 5,120 Acres Sec. 22-26, 34-36 - Undivided Unit Penetrated Spacing Units: S/2 & NW Sec. 36; NE Sec. 35 - 840 Acres	PROJECT AREA	*Joint or Infill	*Consolidation Code	*Order No. R-13718-A (5,120 Acres) Committed
---	--------------	------------------	---------------------	---

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

 <p>WELL FLAG LAT. 36.189553° N (NAD83) LONG. 107.432164° W (NAD83) LAT. 36.189539° N (NAD27) LONG. 107.431560° W (NAD27)</p> <p>POINT OF ENTRY LAT. 36.187142° N (NAD83) LONG. 107.433531° W (NAD83) LAT. 36.187127° N (NAD27) LONG. 107.432927° W (NAD27)</p> <p>BASE PERFORMANCE 320' FSL, 2538' FEL SEC. 36, T23N, R6W LAT. 36.174998° N (NAD83) LONG. 107.419683° W (NAD83) LAT. 36.174984° N (NAD27) LONG. 107.419080° W (NAD27)</p> <p>BOTTOM HOLE LAT. 36.174941° N (NAD83) LONG. 107.419615° W (NAD83) LAT. 36.174927° N (NAD27) LONG. 107.419012° W (NAD27)</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Katie Wegner</i> 6/2/15 Signature Date</p> <p>Katie Wegner Printed Name</p> <p>Katie.Wegner@encana.com E-mail Address</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>APRIL 8, 2015</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p></p>

EXHIBIT

A

1625 N. French Dr., Hobbs, N.M. 88240
Phone: (575) 393-8101 Fax: (575) 393-0720

DISTRICT II

811 S. First St., Artesia, NM. 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III

1000 Rio Brazos Rd., Aztec, N.M. 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3480 Fax: (505) 476-3482

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

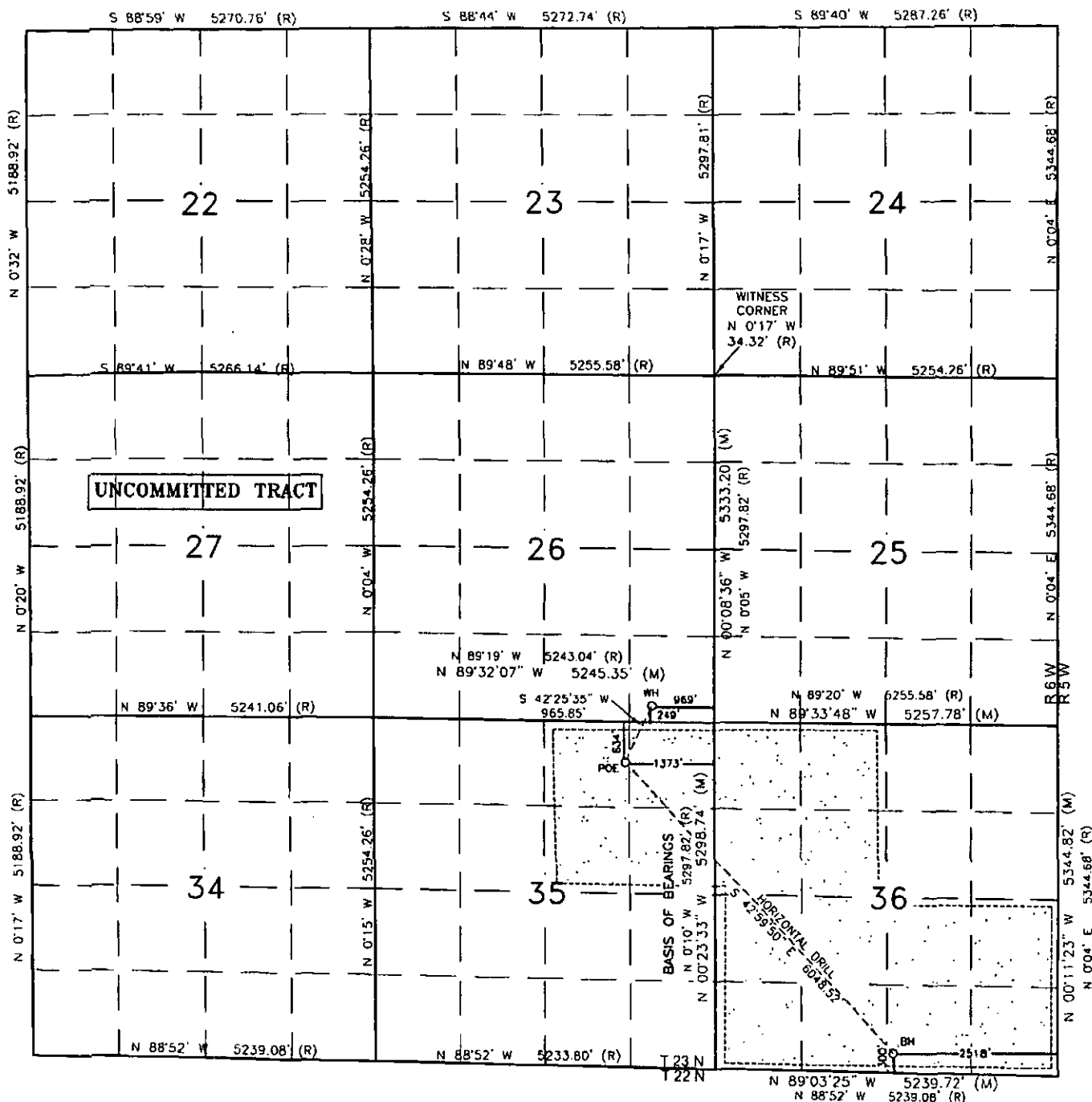
1220 South St. Francis Dr.
Santa Fe, NM 87505

☐ AMENDED REPORT

☒ AS DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

ENCANA OIL & GAS (USA) INC.
GALLO CANYON UNIT P16-2306 #01H



WELL FLAG

LAT. 38.189553° N (NAD83)
LONG. 107.432164° W (NAD83)
LAT. 38.189530° N (NAD27)
LONG. 107.431560° W (NAD27)

POINT OF ENTRY

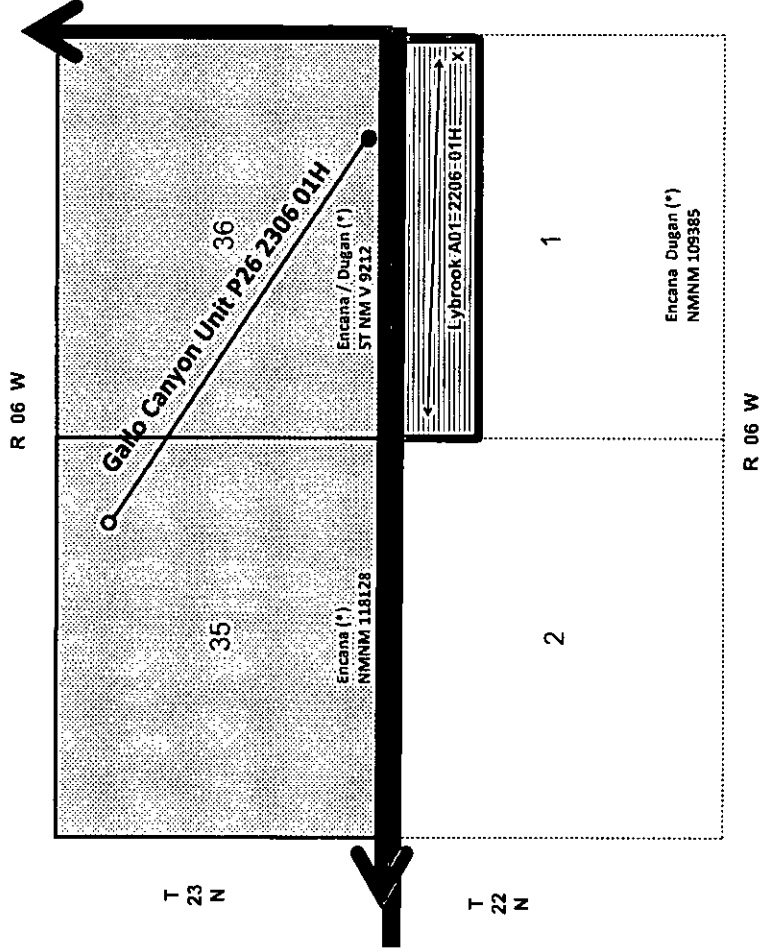
LAT. 36.187142° N (NAD83)
LONG. 107.433531° W (NAD83)
LAT. 36.187127° N (NAD27)
LONG. 107.432927° W (NAD27)

BOTTOM HOLE

LAT. 36.174941' N (NAD83)
LONG. 107.419815' W (NAD83)
LAT. 36.174927' N (NAD27)
LONG. 107.419012' W (NAD27)

Exhibit B

Encana Oil & Gas (USA) Inc.
Application for Exception to Rule
Unorthodox Location
Order R-13718-A
Sandoval County, New Mexico



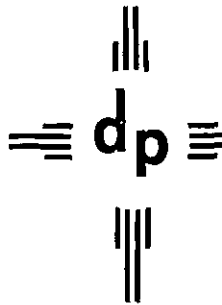
Encana Leases

- Counselor's Gallup-Dakota Oil Pool Buffer
- 330' setback rule
- Lybrook Gallup Oil Pool Buffer
- 330' setback rule
- GALLO CANYON UNIT - NMNM131017X**
Gallo Canyon Unit P26 2306 01H
SHL 249' FSL, 969' FEL Section 26, T23N-R6W
POE 320' FSL, 2538' FEL Section 36, T23N-R6W
BP 320' FSL, 2538' FEL Section 36, T23N-R6W
BHL 300' FSL, 2518' FEL Section 36, T23N-R6W

Lybrook A01 2206 01H
Project Area - T22N-R08W, Section 1 N2N2

Surface Location 1126' FNL, 546' FEL, Section 1, 22N-06W
Gallup Penetration Point 770' FNL, 844' FEL, Section 1, 22N-06W
Bottomhole Location 659' FNL, 384' FWL, Section 1, 22N-06W

* Ownership reflected represents 100% leasehold working interest in the Gallup / Mancos formation underlying each tract which is the subject of this Application



dugan production corp.

June 2, 2015

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Waiver Letter for the Encana Services Company Ltd. NSL application for the Gallo Canyon P26 2306 01H well.

Dear New Mexico Oil and Gas Conservation Division:

As an offsetting interest owner to the Gallo Canyon P26 2306 01H well, operated by Encana Services Company Ltd., Dugan Production Corp. hereby waives any objection to the NSL application and the 20-day notice requirement.

If you have any questions or need additional information, please contact me.

Sincerely,

Kurt Fagrelus
Vice President
Dugan Production Corp.
505-325-1821 office
505-320-8248 cell





AE Order Number Banner

Report Description

This report shows an AE Order Number in Barcode format for purposes of scanning. The Barcode format is Code 39.



App Number: pJAG1515430418

NSL - 7301

ENCANA OIL & GAS (USA) INC.

6/3/2015